

Message Text

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ORIGIN L-03

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FM SECSTATE WASHDC

TO AMEMBASSY MADRID IMMEDIATE

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E.O. 11652: N/A

TAGS: PFOR, MARR, SP

SUBJECT: MILITARY FACILITIES: G-3 TARIFF

1. AMERICAN EXPORT LINES HAS INFORMED MILITARY SEALIFT COMMAND IN WASHINGTON THEY HAVE JUST BEEN NOTIFIED BY DIRECTOR PORT AUTHORITIES (APPARENTLY AT CADIZ) THAT "FOLLOWING MINISTRY ORDERS" PORT AUTHORITIES HAVE BEEN INSTRUCTED TO PROCEED COLLECT 28,271,398 PESETAS ASSESSED BY SPANISH FOR G-3 ON MSC CARGO. FAILURE TO PAY WILL RESULT IN A LIEN ON BANK ACCOUNTS, CONTAINER EQUIPMENT, TRUCKS, ETC. AMERICAN EXPORT LINES STATED THAT THEY ANTICIPATE A COMPLETE DISRUPTION OF SERVICES IN SPAIN, NOT ONLY CADIZ, UNLESS FUNDS ARE REMITTED.

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2. EMBASSY SHOULD CONTACT FOREIGN MINISTRY ASAP TO VERIFY

THIS, AND IF VERIFIED, MAKE THE FOLLOWING POINTS:

(A) THIS IS A CLEAR REVERSAL OF CADIZ POLICY SINCE 1971 TO ACCEPT ESCROW PAYMENTS (UNDER PROTEST) ON BREAK BULK CARGOES AND NOT TO CHALLENGE CONTAINER CARGOES.

(FYI: SINCE MARCH OF 1972, CADIZ HAS NOT INSISTED ON ESCROW PAYMENT, RATHER BILLED, BUT NOT COLLECTED THE G-3 TARIFF. END FYI). THIS ESCALATES ALGICERAS TYPE HARASSMENT TO CADIZ AND THUS MAKES OUR CONTINUED USE OF SPANISH PORTS TO SUPPORT OUR COMMON DEFENSE OBJECTIVES MANIFESTED UNDER THE NEW AGREEMENT VIRTUALLY IMPOSSIBLE.

(B) CONTRARY TO PRIOR SPANISH ASSERTIONS IT NOW APPEARS THE PORT AUTHORITIES MAY BE INTENDING TO TAKE ACTION NOT AUTONOMOUSLY, BUT ON INSTRUCTIONS FROM CENTRAL AUTHORITY.

(C) SUCH DISRUPTION OF SHIPPING VITAL TO U.S. FORCES IN SPAIN WOULD ADVERSELY AFFECT ATMOSPHERE IN WHICH U.S. SENATE MUST CONSIDER THE NEW TREATY.

(D) USG CONSIDERS THAT TAX RELIEF ANNEX OF 1953 PROVIDES CLEAR EXEMPTION FROM G-3.

(E) IF THERE IS NO RESOLUTION OVER THIS MATTER OF INTERPRETATION OF VALID INTERNATIONAL AGREEMENT, DISRUPTION OF U.S. MILITARY SHIPMENTS IS NOT COMPATIBLE WITH GOOD FAITH EFFORTS TO SETTLE THAT DISPUTE, WHICH SHOULD BE DONE THROUGH NEGOTIATION OR OTHER MEANS ESTABLISHED IN INTERNATIONAL LAW AND PRACTICE (I.E., ARBITRATION). (FYI: ARBITRATION WOULD BE A FALL-BACK COMPROMISE AS PART OF A NEGOTIATION EFFORT. END FYI)

(F) WE WOULD HOPE PORT AUTHORITY ACTION WOULD BE HALTED OR THAT SPANISH GOVERNMENT WOULD OTHERWISE FULFILL ITS OBLIGATIONS UNDER TAX RELIEF ANNEX, E.G., BY PREVAILING UPON PORT AUTHORITY TO HALT FURTHER COLLECTION ACTION OR ITSELF PAYING TARIFF PENDING RESOLUTION OF THE DISPUTE.

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(G) IN ADDITION TO OTHER ADVERSE IMPACT OF PLANNED ACTION, USG WOULD HAVE TO HOLD GOS RESPONSIBLE FOR ANY CHARGES LEVIED AND ANY DAMAGES SUFFERED AS RESULT OF DISRUPTION OF SHIPPING.

(H) BOTH SIDES RECOGNIZED DIFFICULTY IN SETTLING THE G-3 ISSUE BEFORE SIGNING THE NEW TREATY OF FRIENDSHIP AND COOPERATION ON JANUARY 24 AND AGREED TO HOLD

SUBSEQUENT NEGOTIATION ON TAX RELIEF PROVISIONS. THIS
WE REMAIN COMMITTED TO DO AND ARE PREPARED TO SEND TEAM
TO MADRID AT GOS CONVENIENCE.

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Margaret P. Grafeld
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